



Policy Statement

TO: Hospital Administrators
Hospital CFOs
Consultants

FROM: Sonia D. Chambers, Chair

DATE: September 15, 2005

RE: Policy Statement 2005-2
Benchmarking Peer Groups

A handwritten signature in black ink, reading "Sonia D. Chambers", is written over the printed name in the "FROM:" field.

The Benchmarking and Discount Contract Rule, 65 C.S.R. 26, was amended and became effective on April 25, 2005. The Authority has successfully completed the first year under the new peer grouping system. However, when updating the second year benchmarking rankings, the preliminary data calculation under this rule indicates that, due to its low volume of inpatient discharges and limited number of cases with high case-mix intensity, the Eye and Ear Clinic would be included in the same peer group, Group I, as the high intensity tertiary hospitals.

The data submitted by the Eye and Ear Clinic indicates it had only seven discharges in FY2004 and only two of those were nongovernmental discharges. Two of its cases had a DRG weight greater than three (3) causing its average

case mix index to exceed 1.3. This hospital is not a Level I or Level 2 trauma center and to date has only two discharges and no nongovernmental discharges for FY 2005.

The representatives on the task force which recommended the updates to the Benchmarking and Discount Contract Rule, including the hospitals and other stakeholders, did not envision the possibility of this anomaly. The result of this scenario would distort the rankings for the Level 1 and Level 2 trauma centers and creates inequities in the benchmarking process.

The Eye and Ear Clinic and the West Virginia Hospital Association have also requested that an exception be provided for the Eye and Ear Clinic which would permit it to be ranked with its peers in Group 3.

Accordingly, the Authority determines that to avoid inequities in the benchmarking system and to achieve the results envisioned by the legislative rule, the Eye and Ear Clinic should appropriately be placed in Group 3 for the purpose of the current benchmarking rankings.